AMENDMENTS TO THE DRAWINGS

The attached sheets of drawings replace the original sheets of Figs. 1 and 2.

REMARKS

Reconsideration and allowance of the subject application are respectfully requested.

The specification and abstract have been amended to improve grammar and readability. In addition, two sheets of replacement drawings are submitted: Original Figure 1 is now labeled as Figure 2 and original Figure 2 is now labeled as Figure 1 to be consistent with the written description. Approval is requested.

Claims 1 and 2 stand rejected under 35 USC §112 second paragraph for indefiniteness. Specifically, the Examiner unclear about the language "participants in the CSD." CSD stands for Central Securities Depository, and claims 1 and 2 now define the acronym as such. Usually, an electronic market has participants that send orders/quotes to the market. These participants have accounts (e.g., trading accounts that may be managed by a CSD system. In this regard, the market participants are also participants in the CSD.

Claims 1 and 2 stand rejecter under 35 USC §101 as allegedly being directed to non-statutory subject matter. This rejection is respectfully traversed.

The Examiner is not clear to which statutory class claims 1 and 2 belong. Claim 1 is directed to an automated, computer-implemented <u>method</u> for carrying out financial transactions within a central securities depository. An automated clearing process and an automated settlement process include multiple automated sub-process steps that are implemented by a computer. These computer-implemented process steps define the steps of the claimed method.

The Examiner contends that claim 2 is inoperative and therefore lacks utility. As amended, claim 1 recites an automated system including a computer for carrying out financial transactions within a CSD, where the computer inherently includes an input and output. See, e.g., page 7, lines 13-15. As such, claim 2 is not simply reciting software or program code.

Moreover, the apparatus in claim 2 also now specifies that the automated functions are implemented by a computer.

Accordingly, claims 1 and 2 recite statutory subject matter with claim 1 being directed to a method and claim 2 being directed to an apparatus. Withdrawal of the rejection under 35 USC §101 is respectfully respected.

Claims 1 and 2 stand rejected under 35 USC as being unpatentable over Fung (2004/0006529). This rejection is respectfully traversed.

Fung tries to improve liquidity of transactions involving multiple contracts. A special purpose vehicle (SPV) is described for buying and/or selling a portion of a complete set of contracts. Fung also discloses allowing at least one market participant to lock in a trade involving the set of contracts. Fung notes a drawback of three conventional structures for interaction between marked participants including order matching, market making, and auctions. See [0005]. Fung criticizes these conventional structures as not providing "a high degree of liquidity." See [0007]. So the problem Fung is trying to solve is how to increase liquidity in a market place. See [0008].

Fung is not directed to a Central Securities Depository system, but instead, relates to an electronic matching system involving order matching, market making, and auction structures. Fung is not concerned with clearing or settlement, which have nothing to do with what Fung is focused on--the actual buying and selling. In contrast, the claims are directed to handling messages after a match to prepare the transaction for settlement. Settlement occurs after the buying and selling of instruments. So the claimed clearing and settlement processes and Fung's buying and selling of contracts are two different things.

The Examiner states "that selecting a settlement rule to be followed in the clearing process, the rule defined how the transaction is to be settled" is allegedly disclosed in Fung at [0064-0067]. In these paragraphs, Fung refers to offers and bids as conditional offers, all of which relate to <u>matching</u> rather than <u>clearing and settlement</u>. In clearing and settlement, the price is set and the trade already executed. The "settlement value" used in Fung is the price for a derivative based on the price on an underlying asset such as a stock if the derivatives is a stock option. See [0033]. This means that a post-match settlement in a contract does not need to have occurred in order for a settlement value to exist since the contract price depends on the price of an underlying asset. As a result, the term "settlement value" in Fung has nothing to do with actual settlement which occurs after a match (trade) in a financial instrument has taken place.

The Examiner should understand that a match is typically reported in a trade message to "back office" clearing and settlement systems. The trade message may be either an instruction message addressed directly from a participant (a member on the market) or a direct trade capture from the exchange. At this point, the claimed technology is used to transform these instructions into settlement obligations, select a settlement rule to be followed in the clearing processing, create settlement obligation groups, and lock in assets to which the transaction concerns, which as explained in the claims, has the effect of reserving the assets for a specific settlement. In Fung, a market participant can lock in a trade for a portion of the contracts for purposes of matching – but not for clearing and settlement.

Because Fung is concerned with matching, rather than clearing and settlement, all of the sub-process steps recited in claim 1, the computer-implemented sub-functions recited in claim 2, and the means elements in claim 3, which relate to clearing and settlement, are simply not

disclosed or suggested. Indeed, a search of the Fung reference reveals that the term "clearing" is not used in any context.
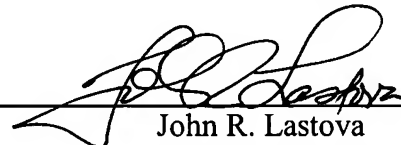
Given that so many features are missing from the Fung reference, Applicants do not see the need to address the Examiner's official notice position, but specifically preserve the right to challenge that official notice position in subsequent actions if official notice continues to be taken.

The application is in condition for allowance. An early notice to that effect is earnestly solicited.

Respectfully submitted,

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